



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 12/3/2002

GAIN Report #BK2011

Bosnia Herzegovina

Poultry and Products

Market Opportunities

2002

Approved by:

Paul Spencer-MacGregor

U.S. Embassy Vienna

Prepared by:

Sanela Stanojcic

Report Highlights: Bosnian poultry consumption has been on the rebound for several years. Although there has been a recent growth in domestic production, Bosnian producers are hindered by a lack of domestic processing facilities. There is a shortage of poultry meat for processing, especially mechanically deboned meat. This report outlines the Bosnian poultry sector, import rules, and market opportunities.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Vienna [AU1], BK

TABLE OF CONTENTS

Market Overview	Page 1 of 6
Policy Issues	Page 2 of 6
Advantages & Challenges	Page 2 of 6
Imports in 2001	Page 2 of 6
Tariff Rates	Page 3 of 6
Retail Prices	Page 4 of 6
Import and Inspection Procedures	Page 4 of 6
Laws and regulations	Page 5 of 6
Key Contact Information	Page 5 of 6

Market Overview

Bosnia and Herzegovina's¹ (BiH) population of 3.75 million consumes about 12kg of chicken meat and 150 eggs per capita per year. Thus total consumption for poultry meat is estimated at 45,000 MT and 562 million for eggs. Poultry consumption dropped during the 1992-1995 war but has risen every year since 1996. It is estimated that today's consumption is again at pre-war levels.

Domestic production meets approximately two-thirds of the demand for chicken meat and shell eggs. Production of broilers is approximately 15-20 million birds. The stock of layers is about 1.8 million birds with total production of around 400 million eggs.

A few years ago the market for processed poultry meat was rather poor and only fresh/frozen whole chickens, leg quarters, and, at times, chicken lunch meat, could be found for sale. There are now a variety of processed meat products on the market such as breast filet, chicken kabobs with peppers, marinated chicken legs and mixed cuts that have been prepared for barbecuing. These products are very popular among people with higher income. Chicken is the most popular form of poultry. Turkey is rarely produced in BiH and consumers are generally not familiar with it in processed products.

Domestic production is expected to grow further because local demand is high and there is some excess production capacity. Given that purchasing power in BiH is quite low by European standards, poultry meat and products are a good source of protein relative to other meats. In addition, recent outbreaks of cattle, sheep and pig diseases in the country (e.g., Q-fever, anthrax, blue tongue, and classical swine fever) have left consumers wary of other meat products.

Locally produced chicken used to cost an average of 30 percent more to produce than foreign products because of the poorer stock of broiler genetics in the country, less experienced management, and a lack of a domestically produced feed supply. At least in terms of genetics and management, the situation is getting better for local producers and the major obstacle to industry expansion now seems to be the poor quality of slaughter facilities and a lack of refrigerated storage in some parts of the country. There is a

¹ Under the 1995 Dayton Peace Agreement, Bosnia and Herzegovina (BiH) is divided into two Entities: the Federation of Bosnia and Herzegovina (F BiH) and Republika Srpska (RS). There is also the Brcko District with a special administrative status. Understanding this dual governmental structure is important to doing business in the country.

shortage of de-boned chicken meat for the processing. Importers regularly protest against the 10% tariff paid for whole poultry versus the 2 KM (\$1.01) per kilo tariff on de-boned meat.

Policy Issues

The main reason there has been a growth in domestic production is because in 1999 the government introduced protective tariffs on poultry imports. Furthermore, there are production subsidies for breeding poultry of 2 KM/bird (\$1.01) and 18-weeks layers or 1,5 KM/piece (\$0,76). These subsidies are paid separately by the 'Entity' governments of Federation and the Republika Srpska.

However, amount of subsidies and actual payments heavily depend on the Entities' annual budgets for agriculture and the general availability of funds.

Advantages & Challenges

Advantages

Demand for poultry meat is increasing, demand is expected to continue to grow (poultry meat is considered healthier than red meats)

Challenges

Free trade agreements signed with big suppliers (Slovenia and Croatia)

Competitively low price for certain U.S. products (e.g. leg quarters)

Reservations towards GMO and "hormone treated" products associated with U.S. agriculture

Shortage of mechanically de-boned meat for the processing industry

Protection tariffs/levies raise the final price of imported products

Imports in 2001

Holland is the largest exporter to BiH followed by Slovenia and Croatia. Officially, BiH imported around 15,000 MT of poultry meat in 2001, but there has historically been a significant amount of smuggling from Hungary.

Table 1: Imports in 2001

Country	Value of imports (\$)	Market share (%)
NETHERLANDS	2,984,962	20,6
SLOVENIA	2,743,584	19
CROATIA	2,468,815	17
BELGIUM	1,562,250	10,8
GERMANY	1,230,440	8,5
ITALY	791,085	5,5
CHINA	760,599	5,3
AUSTRIA	616,182	4,3
HUNGARY	574,051	4

OTHER COUNTRIES	729,485	5
Total:	14,461,453	100

Table 2: Structure of imports

Product	Value of imports (\$)	Market Share (%)
Live poultry	670,055	4,6
Eggs	2,011,183	14
Meat	11,780,215	81,4
Total:	14,461,453	100

Source: FBiH and RS Institutes for Statistic

Company Profiles

There are four or five big companies that serve as reproduction and production centers (e.g. Posavina Koka Orasje, Kokaprodukt Gracanica, Agrokomerc Velika Kladusa, MI Ovako Sarajevo) and hundreds of small and medium sized poultry farms. A general weakness is absence of good slaughtering and cold storage capacities.

With regard to the processing industry, there are few big producers of poultry products (e.g. Lijanovici and "Ovako") and a shortage of raw materials (de-boned chicken meat).

Tariff Rates

Currently, there are no quantitative restrictions for imports of live poultry and poultry meat to country.

Tariff rates for live animals:

-
- layers 10 % + 0,20 KM/animal (\$0,10) and
-
- broilers 10% +0,80 KM/kg (\$0,41)of weight

For chicken meat (HS 0207 11 – 0207 24) tariffs are 10% + 2KM/kg (\$1,01) and for other poultry meat 10% + 1,5 KM (\$0,76).

For Croatia, Slovenia, Yugoslavia (Serbia and Montenegro) and Macedonia tariffs are lower because of the free trade agreements signed between the countries.

Croatia will be charged for 40% of customs duties in 2003 and 0% starting from January 1, 2004.

Slovenia shall pay 50% of import duties in 2003, 30% in 2004 and 0% starting from January 1, 2005.

Yugoslavia will be charged 40% of import duties as of January 1, 2003 and 0% as of January 1, 2004. Customs duties for Macedonian products shall be reduced to 50% as of January 1, 2003, 40% as of January 1, 2004 and 0% as of January 1, 2005.

Inspection fees are:

- veterinary inspection fee is 18 KM (\$ 9.14) up to 10 t, plus 2 KM (\$1,01) for each additional ton;
- sanitary inspection fee is 41 KM (\$20.81) per truck or freight car;
- market inspection fee is 30 KM (\$15,23) up to 10 t, plus 3 KM (\$1.52) for each additional ton.

Retail Prices (per kilo):

Chicken filet:

Fresh, locally produced (Kokodzada Gracanica) – 9,99 KM (\$5,07)

Fresh, imported from Croatia (Koka Varazdin) – 13,22 KM (6,71)

Frozen, imported from Germany (China origin) – 9,57 KM (\$4,86)

Legs:

Fresh, marinated imported from Croatia (Koka Varazdin) – 6,93 KM (\$3,52)

Frozen, imported from Croatia (Koka Varazdin) – 6,61 (\$3,35)

Chicken cuts:

Fresh, marinated (ready for barbecue), imported from Croatia (Koka Varazdin) – 9,39 KM (4,76)

Whole chicken:

Fresh, locally produced (Akova Impex Sarajevo) – 4 KM (\$2,03)

Frozen, locally produced (Koko Dzada Gracanica) – 3,78 KM (\$1,92)

Frozen, imported from Croatia (Koka Varazdin) – 5,70 KM (\$2,89)

Frozen, imported from Slovenia (Perutnina Ptuj) – 5,35 KM (\$2,71)

General Import and Inspection Procedures

Import license (i.e., prior approval) from the Federation BiH Ministry of Agriculture is required for imports of live poultry and poultry products. In the RS, importers need prior approval only for live animals. Importers submit written requests and receive licenses in around 10 working days. A license is valid for 90 days.

Imported animals/products must be accompanied with standard documents that follow each shipment and by veterinary health certificates issued by relevant authorities of exporting countries and are subject to veterinary inspections at border crossings and sanitary and market inspections at customs points.

[For more information please see FAIRS report BK 2003 (this report may be downloaded from <http://www.fas.usda.gov/scripts/attacherep/default.asp>)]

Laws and regulations

The quality of poultry meat and products is regulated by ordinances inherited from former Yugoslavia (Official Gazette No. 1/81, 51/88, 55/91). In addition, the Entities Ministries' of Agriculture issue specific requirements - those requirements are in accordance with the **Office International des Epizooties (OIE)** requirements (e.g., no imports from areas with Newcastle disease outbreaks within past 60 days may occur).

Food products must be tested for microbes. The ordinance on “Microbiological Wholesomeness of Food” (former Yugoslavia Official Gazette, No. 43/83 and No. 43/89) provides maximum content of different microorganisms in food products.

Labeling: - the Law on Sanitary Correctness of Food and Goods of General Use (old Yugoslavia Official Gazette 53/91) regulates labeling requirements for food. According to the Law, a label must be present in both retail and bulk packaged foods and must indicate the following: expiry date, type and content of food additives, type and content of added vitamins, minerals, and other ingredients added to enrich the product’s nutritional value.

The Law on Quality Control of Imported and Exported Goods (for FBiH - Official Gazette 21/97, for RS - Yugoslavia Official Gazettes 28/75, 70/78, 54/86, 30/91) says that a label must clearly indicate the name of the product, manufacturer’s complete address, name and address of the importer, and important information such as net weight in metric units, ingredients, instructions for use (if necessary) and storage and any important information and warnings.

If an original label is in English (e.g. standard U.S. label) or any other language, the seller is obliged to prepare translated stick-on labels and deliver them together with imported products. It is the importer’s obligation is to stick those translated labels on products prior to retail distribution.

There are no specific packaging requirements.

Additives and pesticides & other contaminants:- food additives are regulated by the ordinance on “Quality of Foods Additives” (former Yugoslavia Official Gazette 39/89).

The ordinance on “Pesticides and other Contaminants in Food” says that hormones and antibiotics are generally not allowed in food products (former Yugoslavia Official Gazette, No. 59/83, 79/87).

[For more information please see FAIRS report BK 2003 (this report may be downloaded from <http://www.fas.usda.gov/scripts/attacherep/default.asp>)]

Exchange Rate: 11/28/2002 \$1,00 = 1,97 KM (Convertible mark)

Key Contact Information

F BiH Ministry of Agriculture, Water Management and Forestry
Veterinary Department
Mehmeda Spahe 3
71 000 Sarajevo
Bosnia and Herzegovina
Contact person: Jasna Bradic
Tel/fax +387 (33) 217 242
<http://www.fbihvlada.gov.ba/engleski/index.html>

RS Ministry of Agriculture, Forestry and Water Management
Veterinary Department

Miloša Obilić a 51
76300 Bijeljina
Contact person: Vesna Karan
Tel: +387 55 211 536
Fax: +387 55 472 – 353
<http://www.vladars.net/lt/min/mps.html>
E-mail: mps@mps.vladars.net

BiH Central Veterinary Office
Trampina 12
71000 Sarajevo
Bosnia and Herzegovina
Tel/fax: +387 33 211 495, 265 620
E-mail: svabih@bih.net.ba

U.S. Embassy Sarajevo - Office of Agricultural Affairs
FAS/USDA
US Embassy to BiH
71000 Sarajevo
Bosnia and Herzegovina
Tel.: +387 33 445 700, x2099
Fax: +387 33 212 692
Contact person: Sanela Stanojic
<http://www.usis.com.ba/>
E-mail: StanojicS@usembassy.ba
<http://www.usembassy-vienna.at/usda/>